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TAGS: PGOV PREL ES
SUBJECT: FMLN AND PCN: INTERNAL JOCKEYING FOR POWER

Classified By: Charge d'Affaires, for reasons 1.4 (b) and (d)

¶11. (C) Summary: FMLN President-elect Mauricio Funes exerted his authority March 21, declaring in paid, full-page advertisements in all four major newspapers that he will be the only person authorized to speak publicly about his administration's policies during the transition period. The pronouncement followed FMLN Deputy Gerson Martinez' public comments on March 20 about the future of public external debt. Funes' words were an indication that he will not allow others in the FMLN to shape policy by making statements to the press, and suggest that there are further disagreements on the horizon between the President-elect and his party.

¶12. (C) Summary, continued: The post-election fight for power in El Salvador has begun. On March 19, (right-wing, opportunistic) National Conciliation Party (PCN) expelled Orlando Arevalo, one of its incoming Legislative Assembly deputies, after learning of his plans to abandon the PCN for the FMLN. By doing this prior to the swearing-in of deputies, the PCN is able to replace Arevalo with his pre-designated alternate. An FMLN source reported that there may be two or three other PCN deputies who are disgruntled with party leadership, and might be willing to align themselves with the FMLN in the future. End Summary.

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¶13. (SBU) On March 20, (conservative) news daily El Diario de Hoy published statements by FMLN Deputy Gerson Martinez about future Salvadoran policy toward foreign debt. Martinez said the FMLN was looking into the possibility of restructuring El Salvador's public external debt, specifically by lengthening the term of debt repayment and lowering interest rates. (Note: The Saca administration has already negotiated loans with the Inter-American Bank and World Bank to buy back USD 650 million in Eurobonds, so the restructuring is already underway. End Note.)

¶14. (SBU) Funes reacted swiftly to Martinez' comments. While on a trip to Brazil, he took out full-page advertisements in all four major Salvadoran newspapers March 21. The ad said Martinez' statements did not reflect Funes' position or intentions on the debt issue. It also said that during the transition period, the only person with the authority to make declarations about the incoming Funes government is Funes himself. Hato Hasbun, a confidante and advisor to the President-elect, told Polcouns March 23 that the reaction was swift in order to reassure foreign creditors.

¶15. (SBU) Martinez made a follow-up statement to the press March 23, in which he defended his previous comments, noting that they came from the FMLN presidential platform. He then echoed Funes' ad, saying he can give his opinion as a deputy, but that the sole voice of party policy belonged to Funes.

¶ 6. (S) Political jockeying began in earnest in the days following the March 15 election of the FMLN's Mauricio Funes as President of El Salvador. Sensing that they could not sway the PCN to their side in the Legislative Assembly, some in the FMLN began working behind the scenes to attract the support of individual PCN members. (Note: The FMLN will hold 35 seats in the next Assembly, (center-right, pro-U.S.) ARENA will have 32, and the PCN 11. 43 seats constitute a majority, so if the PCN loses a single seat, it can no longer form a majority by allying with ARENA. End Note.) FMLN Deputy Hugo Martinez told Polcouns March 17 that that the FMLN is quietly speaking with several incoming PCN deputies, many of whom remain disenchanted after the PCN unceremoniously expelled presidential candidate Tomas Chevez from the party to forcibly end his run for office. Martinez said at least two or three, including Orlando Arevalo, were considering aligning themselves with the FMLN effort in the Assembly.

¶ 7. (C) Arevalo's intentions were quickly leaked to the press, and the PCN took swift action, expelling him from the party March 19. As the deputies have not yet been sworn into office, the maneuver will allow the PCN to replace Arevalo with his alternate, as designated prior to the January 18 legislative and municipal elections. The PCN has not taken action against any other deputies as of yet. The party is clearly concerned with potential defections, and is doing anything in its power to keep itself in a position to partner with ARENA. The ability to form a legislative majority with either major party is a key to the PCN's bargaining strategy.

¶ 8. (C) Comment: The FMLN and Funes have fired their opening salvos. The most common question about Funes during the campaign was whether he would actually be running the government, or whether the FMLN hardliners would take control and exert their will. Gerson Martinez' public statements gave Funes an opening to put his foot down early)- and firmly -- to publicly assert himself as the leader of the government. While this was a minor disagreement, it sent a signal to the party and to ARENA that Funes will not be merely a mouthpiece for the FMLN's traditional leadership. We expect the party to continue pushing against limits imposed by Funes.

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